

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

Postal Rate and Fee Changes, 1997

Docket No. R97-1

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

**NEWSPAPER ASSOCIATION OF AMERICA
INTERROGATORIES TO
UNITED STATES POSTAL SERVICE WITNESS
JOSEPH D. MOELLER (NAA/USPS-T36-1-40)
(August 21, 1997)**

The Newspaper Association of America hereby submits the attached interrogatories to United States Postal Service witness Joseph D. Moeller and respectfully requests a timely and full response under oath.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have this date served the instant document on all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

August 21, 1997

William B. Baker
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NAA/USPS-T36-1. Please refer to your testimony at page 4, lines 14-15.

- a. Please explain why all customers of Single-Piece Standard A Mail have not elected to use First-Class Mail already.
- b. Are there any unique features to Single-Piece Standard A Mail that are not available in First-Class Mail? If yes, please describe these features.

NAA/USPS-T36-2. Please refer to your testimony at page 4, lines 15-17.

Please explain why Single-Piece Standard A Mail has unit costs in excess of First-Class Mail. Why is Single-Piece Standard A Mail more expensive to handle on average than First-Class Mail of comparable weight?

NAA/USPS-T36-3. Please refer to your testimony at page 10, lines 14-15.

Please explain why more of the "revenue benefit" of the residual surcharge should be directed to flats, when letters are already contributing more to institutional costs on average compared to flats.

NAA/USPS-T36-4. Please refer to your testimony at page 10, lines 20-21 and page 11, lines 1-2.

- a. What is the highest percentage rate increase proposed for an existing category of Standard A Regular mail?
- b. What is the highest percentage rate increase proposed for an existing category of Standard A Nonprofit mail?
- c. What is the highest percentage rate increase proposed for an existing category of First-Class letter mail?

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- d. Please refer to footnote 19 at page 11. What is the highest percentage increase in the proposed rate for a parcel entered in Standard Regular mail?

NAA/USPS-T36-5. Please refer to your testimony at page 13, lines 17-20 and page 14, lines 1-5.

- a. Please describe the characteristics of the different types of parcels in Standard A mail.
- b. Please explain why some parcels have cost characteristics similar to flats, while other parcels are more costly to handle than flats.
- c. For those parcels with the same or similar cost characteristics as flats, please explain why you propose applying the surcharge to these parcels.
- d. Would it be possible to define "parcel" in such a manner as to exempt parcels with flat-like cost characteristics from the surcharge? If no, why not?

NAA/USPS-T36-6. Please refer to your testimony at page 15, lines 8-10 and page 24, lines 3-5.

- a. Please confirm that the proposed reduction in the pound rate for Regular Rate Other is 4 percent. If you cannot confirm this figure, please provide the correct figure.
- b. Please confirm that the proposed reduction in the pound rate for Regular ECR mail is 20 percent. If you cannot confirm this figure, please provide the correct figure.
- c. Please explain why the proposed reductions in the pound rate differ for the two subclasses.
- d. Please refer to footnote 26 at page 13. Please confirm that less than 8 percent of Regular Rate Other non-letters are parcels while less than one percent of ECR non-letters are parcel-shaped.

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- e. Please explain why the higher percentage of parcels in Regular Rate Other does not cause a greater reduction in the pound rate in Regular Rate Other mail compared to ECR given that "the surcharge reduces the need for the pound rate to act as a proxy for the changing shape mix as weight increases."

NAA/USPS-T36-7. Please refer to your testimony at page 16, lines 7-8 and page 27, lines 1-2.

- a. Please explain why you propose to maintain a breakpoint weight of 3.3 ounces for Standard Regular Other Mail.
- b. Other than the fact that this is "very near" the current breakpoint, is there any reason why 3.3 ounces is preferred compared to, for example, 3.0 ounces?
- c. Please explain why you propose to maintain a breakpoint weight of 3.3 ounces for Standard ECR mail.
- d. Other than the fact that this is "very near" the current breakpoint, is there any reason why 3.3 ounces is preferred compared to, for example, 3.0 ounces?
- e. What criteria are important when determining the breakpoint weight? Please list these criteria in order of importance and explain why they are important when selecting a proposed breakpoint weight.

NAA/USPS-T36-8. Please refer to your testimony at page 16, lines 11-13 and page 29, lines 15-18.

- a. Please provide the "presort tree" for Standard A Regular Other Mail.
- b. Please provide the "presort tree" for Standard A ECR Mail.

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NAA/USPS-T36-9. Please refer to page 17, lines 10-11 of your testimony, where you state that “the proposed rates maintain discounts at or above 80 percent of their current level.”

- a. To which specific discounts are your referring?
- b. Please clarify whether your comparison is between the absolute value of the discounts, or to the total discounted rate, or some other comparison.

NAA/USPS-T36-10. As a general matter, would the presort discounts have been larger if the Postal Service were not sponsoring a cost study that tends to attribute fewer mail processing costs than the methodology that underlies current rates?

NAA/USPS-T36-11. Please refer to your testimony at page 17, lines 15-20. Could the reduction in the passthroughs of the presort cost differences for non-letter mail be avoided by increasing the shape passthroughs at some presort levels? If yes, please explain how. If no, please explain why not.

NAA/USPS-T36-12. Please refer to your testimony at page 17, lines 2-5. Please explain why 10 percent was chosen as a general guideline for mitigating rate increases.

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NAA/USPS-T36-13. Please refer to the Summary of Proposed Regular Rates at page 21.

- a. Please confirm that the proposed rate for a 4 ounce 3/5-digit presorted, non-barcoded flat entered at the SCF is 24.65 cents.
- b. Please confirm that the proposed rate for an 8 ounce 3/5-digit presorted, non-barcoded flat entered at the SCF is 38.7 cents.
- c. Please confirm that the proposed rate for the 8 ounce piece is 57 percent higher than the rate for the 4 ounce piece.
- d. Please confirm that the proposed rate for a 12 ounce 3/5-digit presorted, non-barcoded flat entered at the SCF is 52.75 cents.
- e. Please confirm that the proposed rate for the 12 ounce piece is 114 percent higher than the rate for the 4 ounce piece.
- f. Please confirm that the proposed rate for a 16 ounce 3/5-digit presorted, non-barcoded flat entered at the SCF is 66.8 cents.
- g. Please confirm that the proposed rate for the 16 ounce piece is 171 percent higher than the rate for the 4 ounce piece.

• If you cannot confirm any of these figures, please provide the correct figures.

NAA/USPS-T36-14. Please refer to your testimony at page 24, lines 3-4 and page 25, lines 16-17. Please explain how you arrived at a proposed pound rate of 53 cents for ECR mail based upon the "new" cost information provided in Library Reference H-182.

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NAA/USPS-T36-15. With regard to Library Reference USPS-LR-H-182 as part of your testimony? If not, please state whether any witness is sponsoring USPS-LR-H-182.

NAA/USPS-T36-16. Please provide the following information regarding Library Reference USPS-LR-H-182.

- a. Was this document prepared by you or under your direction?
- b. Did you participate in any way in, the preparation of LR-H-182?
- c. Unless your answer to the preceding part (b) is an unqualified negative, please describe your role with respect to LR-H-182.
- d. When was the material prepared?
- e. What was the purpose of this document?
- f. What were the data sources used in preparing this material?

NAA/USPS-T36-17. Please refer to USPS LR-H-182, page 3.

- a. Please explain why city carrier street costs are distributed to weight increment in proportion to mail volume.
- b. Is it your opinion that weight has no effect on city carrier street costs?
- c. Please refer to the testimony of Postal Service Witness Nelson (USPS-T-19) at page 6, lines 15-17. Please confirm that Witness Nelson asserts that the weight of the mail has an impact on letter route driving time. If you cannot confirm this statement, please explain why.
- d. Does the analysis of carrier costs by weight increment assume any difference in carrier street costs by shape of mail? If yes, please explain how this is factored into the analysis. If not, please explain why not.

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- e. Does the shape of the mail affect the city carrier load time costs? If no, please provide all support for your position. If yes, please explain what affect shape has on city carrier load time costs.

NAA/USPS-T36-18. Please refer to Table 2 at page 6 of USPS LR-H-182. Does Table 2 include flats and other non-letter pieces such as parcels? If so, please provide the data in Table 2 for flats only.

NAA/USPS-T36-19. Please refer to Table 2 at page 6 of USPS LR-H-182. Please provide the standard errors of the estimates of unit costs.

NAA/USPS-T36-20. Please refer to Tables 1 and 2 of USPS LR-H-182. Do these tables include data for both Standard Regular (commercial) and Nonprofit mail? If so, please provide separate tables with the unit costs by weight for Standard Regular mail and Standard Nonprofit mail.

NAA/USPS-T36-21. Please refer to page 3 of USPS LR-H-182.

- a. Do dropshipping levels vary by weight increment? Please provide all available data to support your response.
- b. If your response to part (a) is yes, was any adjustment made to remove the effects on mail processing costs of the different levels of dropshipping from the data? If no, please explain why not. If yes, please explain what adjustments were made to the data.

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NAA/USPS-T36-22. Please refer to Table 1 at page 4 of USPS LR-H-182.

- a. Please explain how a 13 ounce carrier-route piece can have a unit cost of 6.6 cents while a 12 ounce carrier-route piece has a unit cost of 9.0 cents and a 14 ounce carrier-route piece has a unit cost of 13.0 cents.
- b. Does this pattern cause you to doubt the accuracy of the underlying data? If not, why not?

NAA/USPS-T36-23. Please refer to page 2 of USPS LR-H-182. Was any attempt made to estimate unit volume variable costs for the Test Year?

NAA/USPS-T36-24. Please refer to page 3 of USPS LR-H-182. With respect to the distribution of mail processing costs, were these costs distributed using the MODS cost pools? If no, why not?

NAA/USPS-T36-25. Please refer to Table 2 at page 6 of USPS LR-H-182.

- a. Please explain all possible reasons why the unit costs for one ounce flats are significantly higher than the unit costs for three ounce flats.
- b. Does the relationship of costs for the one ounce piece compared to the three ounce piece cause you to doubt the accuracy of the underlying data? If not, why not?

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NAA/USPS-T36-26. Please refer to Table 3 of USPS LR-H-182.

- a. Please confirm that the unit mail processing cost (cost segment 3.1) is 1.76 cents for a one-ounce piece of Standard Regular Carrier-Route Mail. If you cannot confirm this figure, please provide the correct figure.
- b. Please confirm that the unit mail processing cost (cost segment 3.1) is 1.40 cents for a two-ounce piece of Standard Regular Carrier-Route Mail. If you cannot confirm this figure, please provide the correct figure.
- c. Please confirm that the unit mail processing cost (cost segment 3.1) is 0.85 cents for a three-ounce piece of Standard Regular Carrier-Route Mail. If you cannot confirm this figure, please provide the correct figure.
- d. Please explain all possible reasons for the declining unit costs in this cost segment.
- e. When IOCS tally takers record the weight of a piece, is there any tendency simply to record a piece as one ounce if the piece is below the breakpoint rather than recording the actual weight of the piece? What steps does the Postal Service take to ensure that this does not happen?

NAA/USPS-T36-27. Please refer to Table 3 of USPS LR-H-182.

- a. Please confirm that the unit cost of city carrier casing (cost segment 6) is 2.26 cents for a one-ounce piece of Standard Regular Carrier-Route Mail. If you cannot confirm this figure, please provide the correct figure.
- b. Please confirm that the unit cost of city carrier casing (cost segment 6) is 1.38 cents for a two-ounce piece of Standard Regular Carrier-Route Mail. If you cannot confirm this figure, please provide the correct figure.
- c. Please confirm that the unit cost of city carrier casing (cost segment 6) is 0.88 cents for a three-ounce piece of Standard Regular Carrier-Route Mail. If you cannot confirm this figure, please provide the correct figure.
- d. Please provide all possible reasons for the declining unit costs of city carrier casing.
- e. Is there a possibility of error when recording the weight of the piece when the tally is recorded? If so, please explain.

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- f. Was any attempt made to adjust the cost data for the density of the mailings within each weight increment? If so, what adjustments were made in the cost data to reflect the different densities of the mailings? If no, why not?
- g. Was any attempt made to adjust the cost data for the degree of walk-sequencing of the mailings within each weight increment? If so, what adjustments were made in the cost data to reflect the differing amounts of walk-sequencing? If no, why not?

NAA/USPS-T36-28. Please refer to your testimony at page 26, lines 5-7. Please provide all studies and analyses of the rates for other advertising media that, in your opinion, justify the lower pound rate.

NAA/USPS-T36-29. Please provide the average unit contribution to institutional costs for each ounce increment of nondropshipped Standard (A) Regular and Enhanced Carrier Route mail (excluding non-profit subclasses) at proposed rates stated separately for:

- a. letters and nonletters; and
- b. below breakpoint and above-breakpoint mail.

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NAA/USPS-T36-30. Based upon the unit cost data provided in LR-H-182 and current rates, please provide the average unit contribution to institutional costs for Standard (A) Regular and Enhanced Carrier Route mail (excluding non-profit subclasses) stated separately for:

- a. letters and nonletters; and
- b. below breakpoint and above-breakpoint mail.

NAA/USPS-T36-31. Please refer to pages 1 and 2 of Library Reference H-186.

If you cannot answer, please refer to someone who can.

- a. Please explain why there are letters that exceed 3.3 ounces.
- b. Please explain how a sixteen-ounce piece can have the dimensions of a letter.

NAA/USPS-T36-32. Please refer to your testimony at page 24, lines 7-23. Does setting the piece charge at greater than zero for pound-rated saturation nonletters imply that such pieces incur piece-related costs? Please explain.

NAA/USPS-T36-33. Please refer to your testimony at page 25, line 5. Please clarify what are the "two reasons" to which you refer.

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NAA/USPS-T36-34. Please refer to your testimony at page 27, line 15 through page 28, line 2. Could "special consideration" be given to the Postal Service's concern regarding its letter automation program by holding the basic letter rate at the proposed level, but increasing the rate for Basic nonletters?

NAA/USPS-T36-35. Please refer to your testimony at page 28, footnote 44. Does the elimination of the letter/non-letter rate differential at the basic tier result in letters making a significantly higher contribution to institutional costs compared to non-letters? If yes, please explain why you believe this to be desirable. If no, please explain.

NAA/USPS-T36-36. Please refer to your testimony at page 28, lines 7-11.

- a. Did the Postal Service consider eliminating the basic tier within ECR letter mail? If no, why not? If yes, why did you choose not to propose the elimination of this category of mail?
- b. Did the Postal Service consider moving the basic tier of ECR letters to the Standard A Regular Other subclass? If no, why not? If yes, why did you choose to retain this category within Standard ECR mail?

NAA/USPS-T36-37. Please refer to your testimony at page 28, line 11-13.

- a. How many letters will remain in the Basic ECR letter category?
- b. Please explain all reasons why these letters will not shift to the Automation 5-digit category within Standard Regular Other Mail.

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NAA/USPS-T36-38. Please refer to your testimony at page 28, lines 8-11. If a greater percentage of the shape differential were passed through in Standard A Regular Other Mail at the automation 5-digit level, would this permit a non-zero percent passthrough of the shape differential for Standard ECR Mail at the basic tier while still resulting in a lower rate for 5-digit Automation mail compared to the basic ECR letter rate? Please explain fully.

NAA/USPS-T36-39. Please refer to your testimony at page 28, lines 10-12, where you state that the proposed rates would "encourage letter mailings with [basic] density to be entered instead as Automation Enhanced Carrier Route or 5-digit Automation letters."

- a. Does the Postal Service has a preference as to which rate category these letters are entered? Please explain.
- b. Does the price difference between Basic ECR, Automation ECR, and 5-digit automation letters reflect the actual cost differences to the Postal Service processing this mail?
- c. Does the price difference between Basic ECR, Automation ECR, and 5-digit automation letters reflect the actual cost differences to the Postal Service processing this mail?

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NAA/USPS-T36-40. Please refer to your testimony at page 32, lines 9-10.

- a. Please explain why it is desirable to have rates for the Nonprofit Mail subclasses "mirror" the Regular subclasses.
- b. Are there any differences in mail characteristics that warrant a different rate schedule?